

Centers for Medicare & Medicaid Services

LONG-TERM CARE HOSPITAL PROSPECTIVE PAYMENT SYSTEM SHORT-STAY OUTLIERS FACT SHEET



JULY 2003

What Is A Short-Stay Outlier?

A short-stay outlier is an adjustment to the Federal payment rate for LTCH stays that are considerably shorter than the average length of stay for an LTC-DRG. Without this short-stay outlier adjustment, Medicare would be paying inappropriately for cases that did not receive a full episode of care at the LTCH. Cases qualify as a short-stay outlier when the length of stay is between one day and up to, and including, 5/6 of the average length of stay for the LTC-DRG to which the case is grouped. A length of stay that exceeds 5/6 of the average length of stay for the LTC-DRG for the case is considered to have exceeded the short-stay outlier threshold. When a case exceeds the short-stay outlier threshold, Medicare pays a full LTC-DRG payment for that case.

Example:

If the ALOS for a particular LTC-DRG is 30 days, then the short-stay outlier policy applies to stays that are 25 days or less in length (i.e., 5/6 of 30 days = 25 days).



<i>Background</i>	<i>What Are Long-Term Care-Diagnosis Related Groups?</i>
Under the Medicare system, long-term care hospitals (LTCHs) generally treat patients who require hospital-level care for an average of greater than 25 days. The Balanced Budget Refinement Act of 1999 (BBRA) mandated a new discharge-based prospective payment system for long-term care hospitals. The new payment system, the long-term care hospital prospective payment system (LTCH PPS), replaces the current cost-based system. Congress provided further requirements for the LTCH PPS in the Medicare, Medicaid, and SCHIP Benefits Improvements and Protection Act of 2000 (BIPA).	The LTCH PPS uses long-term care-diagnosis related groups (LTC-DRGs) as a patient classification system. Each patient stay is grouped into an LTC-DRG based on diagnoses (including secondary diagnoses), procedures performed, age, gender, and discharge status. Each LTC-DRG has a pre-determined average length of stay (ALOS), or the typical length of stay for a patient classified to the LTC-DRG. Under the LTCH PPS, an LTCH receives payment for each Medicare patient, based on the LTC-DRG to which that patient's stay is grouped. This grouping reflects the typical resources used for treating such a patient. Cases assigned to an LTC-DRG are paid according to the Federal payment rate, including adjustments. One type of case-level adjustment is a short-stay outlier.

What Causes A Short-Stay Outlier Payment?

A short-stay outlier payment may occur in one of the following scenarios:

- § The LTCH patient experiences an acute condition that requires urgent treatment or requires more intensive rehabilitation. The long-term care hospital then discharges the patient to another facility.
- § The LTCH patient does not require the level of care provided in a long-term care hospital. The long-term care hospital then discharges the patient to another facility.
- § The LTCH patient is discharged to his or her home.

- § The LTCH patient expires within the first several days of admission to a long-term care hospital.
- § The LTCH patient's benefits exhaust during the LTCH stay (see the following example).

What If The Patient's Benefits Exhaust During The LTCH Stay?

Under the LTCH PPS, Medicare only pays for covered benefit days until the length of stay triggers a full LTC-DRG payment. In other words, a patient's remaining amount of benefit days and the length of a hospital stay can affect LTCH payment, resulting in a short-stay outlier payment. For example:

<i>If...</i>	<i>Then...</i>	<i>Example</i>
<i>A patient uses all of their regular benefit days for an episode during a length of stay that <u>does not</u> reach the short-stay outlier threshold for an LTC-DRG...</i>	<i>The patient <u>is</u> liable for any non-covered days. The provider receives a short-stay outlier payment for the patient's hospital stay.</i>	<i>The LTC-DRG short-stay outlier threshold is 25 days, and the patient's length of stay is only 20 days, then the LTCH is paid the LTCH short-stay policy payment. If the patient's benefit days end on Day 15, Medicare pays the facility for only the 15 covered days under the short-stay policy. Therefore, the patient <u>is</u> liable for Days 16-20 of the stay.</i>
<i>But...</i>		
<i>If...</i>	<i>Then...</i>	<i>Example</i>
<i>A patient uses all of their benefit days for an episode during a length of stay that <u>does</u> exceed the short-stay outlier threshold for an LTC-DRG...</i>	<i>The patient <u>is not</u> liable for any non-covered days. Medicare pays the full LTC-DRG charges.</i>	<i>The LTC-DRG short-stay outlier threshold is 25 days, and the patient's benefit days end on Day 30. The patient's length of stay is 35 days. The patient <u>is not</u> liable for Days 31-35. In this situation, the short-stay policy does not apply. Since the facility would receive the full LTC-DRG payment, the patient would not be liable until the first day the stay qualified as a "high cost" outlier (see the High Cost Outliers Fact Sheet).</i>

Medicare provides 90 covered benefit days for an episode of care under the inpatient hospital benefit. In addition, each patient has 60 lifetime reserve days. These lifetime reserve days may be used to cover additional non-covered days of an episode of care that exceeds 90 days.

How Are Short-Stay Outliers Paid?

The payment for a short-stay outlier is the least of one of the following:

- § The full payment for the LTC-DRG assigned to the case (see Calculation 1 in the following section).
- § 120% of the LTC-DRG specific per-diem. The per-diem is calculated by dividing the full LTC-DRG payment by the average length of stay for the LTC-DRG, and multiplying by the actual length of the stay of the case (see Calculation 2 in the following section).
- § 120% of the cost of the case, calculated using the provider-specific cost-to-charge ratio (see Calculation 3 in the following section).

How Are Short-Stay Outlier Payments Calculated?

The following information is used to perform payment calculations to determine the basis of payment for a short-stay outlier in the following example.

<i>Data Used In Following Example Payment Calculations</i>	
<i>Length of Stay (LOS) for Case</i>	<i>10 days</i>
<i>Charges Incurred</i>	<i>\$13,870.33</i>
<i>LTC-DRG for Case</i>	<i>LTC-DRG 113</i>
<i>Relative Weight for LTC-DRG 113</i>	<i>1.4103</i>
<i>ALOS for LTC-DRG</i>	<i>36.9</i>
<i>Provider Cost-to-Charge Ratio (CCR)</i>	<i>0.8114</i>
<i>2/5 Wage Index for Provider Located in an MSA</i>	<i>1.0418</i>
<i>Calculation 1: Full LTC-DRG Payment Calculation</i>	
((Standard Federal Rate x Labor Percentage) x (Wage Index Value) + Non-Labor Share) x LTC-DRG Relative Weight	
<i>\$35,726.18</i>	<i>Standard Federal Rate for Rate Year 2004</i>
<i>x 0.72885</i>	<i>Labor Percentage</i>
<i>\$26,039.03</i>	<i>Labor Share</i>
<i>x 1.0418</i>	<i>Wage Index Value (FY04 = 2/5)</i>
<i>\$27,127.46</i>	<i>Wage Adjusted Labor Share</i>
<i>+ 9,687.15</i>	<i>Non-Labor Share = \$35,726.18 x 0.27115</i>
<i>\$36,814.61</i>	<i>Adjusted Standard Federal Rate</i>
<i>x 1.4103</i>	<i>LTC-DRG 113 Relative Weight (for FY03)</i>
<i>\$51,919.64</i>	<i>Full LTC-DRG Payment</i>
<i>Calculation 2: 120% of the Specific LTC-DRG Per-Diem Calculation</i>	
Full LTC-DRG Payment x LOS of the Case ALOS LTC-DRG	
<i>\$51,919.64</i>	<i>Full LTC-DRG Payment (See Calculation 1 Above)</i>
<i>36.9</i>	<i>ALOS for LTC-DRG 113</i>
<i>\$1,407.04</i>	<i>Per-Diem for LTC-DRG 113</i>
<i>x 10</i>	<i>Length of Stay</i>
<i>\$14,070.40</i>	
<i>x 1.2</i>	<i>Decimal Representation of 120%</i>
<i>\$16,884.48</i>	<i>120% of Per-Diem</i>
<i>Calculation 3: 120% of Cost Calculation</i>	
Charges x CCR = Cost	
<i>\$13,870.33</i>	<i>Charges Incurred</i>
<i>x 0.8114</i>	<i>Provider CCR</i>
<i>\$11,254.39</i>	<i>Cost</i>
<i>x 1.2</i>	<i>120% of Cost</i>
<i>\$13,505.27</i>	

Resolution:

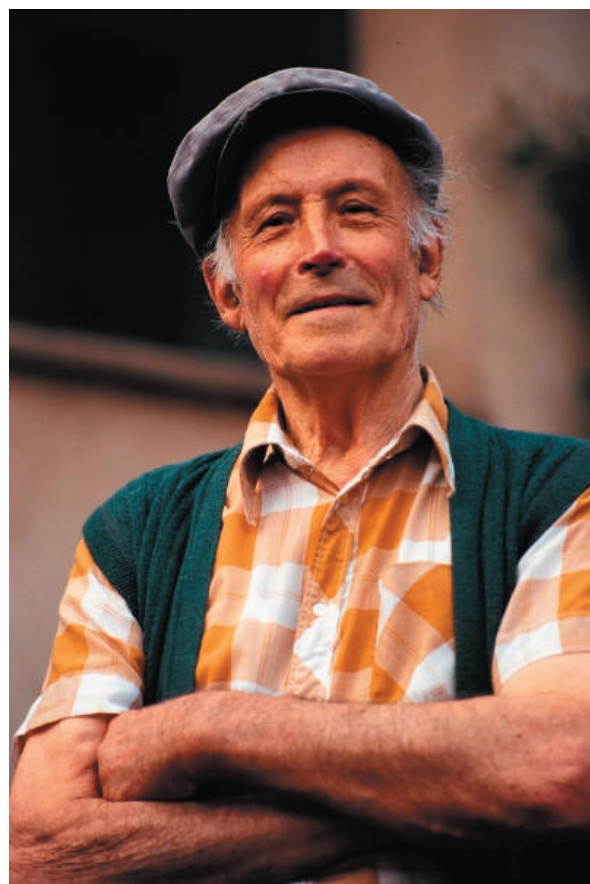
The example case is paid at 120% of cost (\$13,505.27) since it is less than 120% of the specific LTC-DRG per-diem (\$16,884.48), and less than the full LTC-DRG payment (\$51,919.64).

Who Determines If A Short-Stay Outlier Payment Applies?

The Fiscal Intermediary determines short-stay outliers using the PRICER software.

How Is The Cost-To-Charge Ratio Determined In The Short-Stay Outlier Payment Calculation?

Under the Final Rule published on August 30, 2002, the Fiscal Intermediary calculated the LTCH's CCR from the latest settled cost report or from the applicable statewide average (if the cost report was not available, or if the value was outside of the applicable range). However, the June 9, 2003 Outlier Final Rule provides the Centers for Medicare & Medicaid Services (CMS) with some flexibility regarding CCRs. These CCR policy changes take effect on August 8, 2003 and October 1, 2003, respectively.



CCR Changes Effective For Discharges On Or After August 8, 2003

- § **CCR Revisions Requested by CMS:** Fiscal Intermediaries may use an alternative CCR, as directed by CMS, which more accurately reflects recent substantial increases or decreases in a hospital's charges.
- § **CCR Revisions Requested by the LTCH:** Upon approval by the respective Regional Office, LTCHs may request that Fiscal Intermediaries use a different (higher or lower) CCR. This request must be based on substantial evidence.
- § **CCR Revisions for LTCHs with CCRs Below the Minimum Threshold (Floor):** Fiscal Intermediaries will stop assigning the statewide average CCR to LTCHs with CCRs below the minimum threshold (floor). In those cases, Fiscal Intermediaries will use the LTCH's actual CCR. LTCHs with CCRs above the upper threshold (ceiling) will continue to be assigned the statewide average CCR.

CCR Change Effective For Discharges On Or After October 1, 2003

- § **CCR Applied at the Time of Claim Processing:** Fiscal Intermediaries will calculate an LTCH's CCR from the latest settled or tentatively settled cost report (whichever is later).

LTCH PPS Final Rules

CMS published three Final Rules affecting Medicare payments to LTCHs on the following dates:

August 30, 2002 - the first LTCH PPS Final Rule was published, formalizing the policies and procedures for the new LTCH prospective payment system.

June 6, 2003 - the first update of the LTCH PPS Final Rule was published, changing the update cycle for future LTCH PPS updates, and revising several payment rates for the LTCH PPS, including the fixed-loss amount.

June 9, 2003 - the Outlier Final Rule was published, affecting payment calculations for outlier cases. This Final Rule provided several changes to the application of the CCR, as well as changes to outlier payment reconciliation policies.

In addition to the above-mentioned changes to the CCR policy, effective for discharges on or after August 8, 2003, the Outlier Final Rule published on June 9, 2003 allows for reconciliation of short-stay outlier (and high cost outlier) payments upon cost report settlement. This reconciliation accounts for differences between the estimated CCR and the actual CCR for the period during which the discharge occurs. On July 3, 2003, CMS published a Program Memorandum regarding the implementation of the reconciliation policy. A link to this Program Memorandum may be found in the "Where Can I Find More Information About The LTCH PPS?" section of this Fact Sheet.

How Is The Cost Of The Case Determined In The Short-Stay Outlier Payment Calculation?

As shown in the previous examples, the cost of the case is determined by multiplying the Medicare covered charges for the stay by the hospital's overall CCR. For a short-stay outlier, the Medicare covered charges are the Medicare allowable charges incurred during the days of the stay in which the patient has a Medicare benefit day (either regular, coinsurance, and/or lifetime reserve) available, not the charges related to the length of stay for the episode of care (such as in the case where Medicare benefits are exhausted prior to exceeding the short-stay outlier threshold).

How Will The Reconciliation Of Short Stay Outlier Payments Affect A Beneficiary's Lifetime Reserve Days And Eligibility For Coverage Under Medigap And Medicaid Programs?

Because the changes discussed in the June 9, 2003 Outlier Final Rule address the accuracy of outlier payments rather than coverage or liability, any changes to a LTCH's outlier payment made as a result of reconciliation will not retroactively affect a beneficiary's lifetime reserve days or coverage status under Medigap or Medicaid. Specifically, no retroactive adjustments will be made to determine the day that a beneficiary's stay moves to high cost outlier status. Therefore, no retroactive adjustments will be made to lifetime reserve days used or available. Similarly, no retroactive adjustments will be made to beneficiary benefits and payments under Medigap and Medicaid.

Can Short-Stay Outliers Also Be Eligible For High Cost Outlier Payments?

A short-stay outlier can also qualify for high cost outlier payments. The applicable short-stay outlier payment is used in determining the high cost outlier threshold (see the High Cost Outliers Fact Sheet).

Where Can I Find More Information About The LTCH PPS?

The following online references provide more information about the LTCH PPS:

- § The Medicare Learning Network LTCH PPS Web Page

<http://www.cms.hhs.gov/medlearn/lтчpps.asp>

The Medicare Learning Network features CMS provider education materials for the LTCH PPS, including the *CMS Long-Term Care Hospital Prospective Payment System Training Guide*.

- § Long-Term Care Hospital Web Page

<http://www.cms.hhs.gov/providers/longterm/default.asp>

The Long-Term Care Hospital Web Page provides the Final Rules and additional LTCH PPS related documents, including a Frequently Asked Questions List. The Web site also provides instructions on joining the LTCH PPS mailing list, which provides the latest LTCH PPS news and updates.

- § LTCH PPS Program Memorandum

http://www.cms.hhs.gov/manuals/pm_trans/A02093.pdf

Instructions for Fiscal Intermediaries implementing the LTCH PPS can be found in Program Memorandum A-02-093, *Instructions for Implementing the Long-Term Care Hospital Prospective Payment System*, dated September 27, 2002.

- § Payment Update for LTCH PPS Rate Year 2004 Program Memorandum

http://www.cms.hhs.gov/manuals/pm_trans/A03056.pdf

Instructions for Fiscal Intermediaries implementing the changes outlined in the June 6, 2003 Final Rule are included in Program Memorandum A-03-056, *Payment Update for Long-Term Care Hospital Prospective Payment System Rate Year 2004*.

- § Outlier Final Rule Program Memorandum

http://www.cms.hhs.gov/manuals/pm_trans/A03058.pdf

Instructions for Fiscal Intermediaries implementing the changes outlined in the June 9, 2003 Final Rule can be found in Program Memorandum A-03-058, *Change in Methodology for Determining Payment for Outliers Under the Acute Care Hospital Inpatient and Long-Term Care Hospital Prospective Payment Systems*.

Questions about short-stay outliers and the long-term care hospital prospective payment system can be emailed to ltchpps@cms.hhs.gov.

Where Can I Find More Information About ICD-9-CM Coding?

The LTCH PPS Final Rule emphasized that proper coding is essential for correct diagnosis and procedure reporting. The following online references provide ICD-9-CM coding guidance:

- § The ICD-9-CM Official Guidelines for Coding and Reporting

<http://www.cdc.gov/nchs/data/icd9/icdguide.pdf>

The LTCH PPS Final Rule stated that the *ICD-9-CM Official Guidelines for Coding and Reporting* is essential reading for understanding how to report the proper diagnosis and procedure codes that are used in determining the LTC-DRG payment amounts.

- § Updates to the ICD-9-CM Diagnosis and Procedure Codes

<http://www.cms.hhs.gov/paymentsystems/icd9/default.asp>

This Web site identifies the activities (including public meeting schedules and agendas) of the ICD-9-CM Coordination and Maintenance Committee charged with maintaining and updating the ICD-9-CM coding system.